

**Oral Summary of Testimony of
Chairman James J. Hoecker
Federal Energy Regulatory Commission
Before the
Committee on Energy and Natural Resources
United States Senate**

September 14, 2000

Mr. Chairman and Members of the Committee:

Thank you for asking me to testify before you about potential proposals for transporting Alaska's North Slope natural gas to market, and what regulatory issues will remain to be addressed when such proposals are filed with the Commission.

In 1976, Congress enacted the Alaska Natural Gas Transportation Act (ANGTA) to establish a mechanism for the President to designate a natural gas pipeline route to deliver Alaska natural gas to the Lower 48 States. ANGTA is still law, but much has changed since 1976. The Commission, Congress, and pipeline proponents must consider what the best solutions are for the Nation's energy needs today and whether some of the questions answered more or less definitively 20 years ago could have different answers today.

The President's Decision (President's Decision and Report to Congress on the Alaskan Natural Gas Transportation System) issued pursuant to ANGTA in 1977, designated the route and selected the project sponsors for construction of the Alaska

Natural Gas Transportation System (ANGTS), and the Commission subsequently issued a conditional certificate under ANGTA.

The ANGTS sponsors, in order to facilitate financing for what could have been the largest privately financed construction project in U.S. history, sought to build the project in two phases. Construction of Phase I, the "Prebuild" section, was completed in 1982. However, Phase II, connecting the Phase I sections to Alaska's North Slope, was never completed because the energy outlook of the United States and Canada suddenly changed with new natural gas discoveries in Canada and in the Lower 48 States and moderating world oil prices. No final certificate for Phase II was ever issued.

We are here before you today because changes in the market for natural gas have made constructing a pipeline to bring Alaskan gas south more economically attractive. Renewed interest in reviving the original project approved in 1977 raises some challenging issues, however. While the Commission would expect to devote substantial resources to any proposal of this size and significance and to respond in a timely manner, reactivation of the ANGTS would also require us to answer several novel questions about the meaning of the ANGTA and the President's Decision as part of the process. For example, can the original project be reconfigured and updated and still be considered under ANGTA? Can other projects be approved under the Natural Gas Act in addition to, and separately from, the project specified in the President's Decision? Also, what

flexibility do the sponsors, the President, or the Commission have to depart from ANGTA in addressing the ANGTS proposal?

` Any proposals to transport Alaska North Slope natural gas will require that we take action in some key areas, whether projects are authorized under ANGTA or under other statutes. First, a major challenge in processing any application to build an Alaskan pipeline is coordination of the roles of the various Federal agencies with responsibility for aspects of the proposal. During the original ANGTS proceeding, this coordination role was performed by the Office of the Federal Inspector for the construction of the ANGTS, but it was abolished by Congress in 1992 and its functions and authorities transferred to the Secretary of Energy. Today, the Secretary is still positioned to fulfill those coordinating and compliance functions. For new pipeline proposals that are not subject to ANGTA, an interagency task force could be created to help identify and deal with issues as they arise. In either case, the Commission and its staff have extensive experience working with state and federal agencies on energy projects and will promote effective cooperation, regardless of who has the lead.

Second, we must acknowledge the importance of the Canadian government in completing long-line transportation of Alaskan gas. Canada's ANGTA-equivalent, the Northern Pipeline Act, remains in effect. In 1977, the U.S. and Canada also entered into an executive agreement about the ANGTS. However, any new project proposals could

be affected by Canada's view of that agreement under current circumstances. Let me note as an aside that I have already offered to work with the National Energy Board (NEB) on regulatory strategies.

Third, the most time-consuming aspect of any significant pipeline construction project can be the environmental analysis. If the ANGTS were reactivated, we would need to determine whether the law or other considerations require the original environmental analyses to be supplemented or updated.

Finally, because the President's Decision, was approved by Congress and contains a number of conditions and design specifications, sponsors may have limited flexibility (and the Commission has virtually no authority) to alter the basic nature or general route of the ANGTS if they were to renew the application. After 20 years, however, those specifications may not be suited to today's market and environmental circumstances or utilize the best available technology. Similarly, it is not clear how much flexibility the Commission has under ANGTA to act on a revised ANGTS filing if it departs from the specifications of the President's Decision. These issues require more analysis.

At this point, the Commission has not received any new proposals. I cannot define with certainty all the issues that will confront us involving the continued viability of the decisions made on the original ANGTS proposal. It is at least possible that consideration of proposed Alaskan gas transportation projects exclusively under the

Natural Gas Act may be a preferable or a necessary alternative. We must promptly explore the procedural and substantive implications of both administrative routes.

In that connection, I have assembled a staff team at the Commission to review the history of the ANGTA proceedings, including the statutes and relevant orders, and their applicability to, and effect on, applications and proposals under today's circumstances. The team is also considering what aspects of the conditional certificate and related orders may need to be reconsidered in order to accommodate and process any applications that may be filed in the future. I will submit to the Committee findings and conclusions on or about January 1, 2001.

The Commission is committed to timely resolution of all relevant and material issues relating to proposed pipeline projects under its jurisdiction. Given the size of the investment required for any pipeline delivering Alaskan gas and the importance of the reserves in Alaska and adjacent areas to the American economy, timely and responsible regulatory consideration will be especially important.

I would be pleased to answer any questions you may have.